



East  
Northamptonshire  
Council

## Policy and Resources Committee – 5 December 2011

### Request for Capital Funding

#### Purpose of report

This report seeks member approval for the release of funds from the capital budget 'Financial Support to Social Housing', following receipt of an application for a specific project.

#### Attachment(s)

None

#### 1.0 Background

- 1.1 The capital budget 'Financial Support to Social Housing' (JCF229) currently has £1,502,280 profiled for expenditure on new affordable housing in the district.
- 1.2 In addition the council also holds various financial contributions paid by developers via Section 106 agreements for various purposes – one of which is providing affordable housing on site. These contributions are usually made where affordable housing cannot be provided on site.
- 1.3 An application for capital funding has been received which Members are invited to consider.

#### 2.0 Section 106 Contributions

- 2.1 The £1,502,280 currently profiled in the 'Financial Support to Social Housing' capital budget is not ring-fenced and is uncommitted.
- 2.2 There is currently £104,045 of S106 contributions held for expenditure on new affordable housing.
- 2.3 In addition, a further S106 contribution of £376,000 is expected to be received in 2011/12 or 2012/13 (within the next 12 months) from a new assisted living development in Rushden.
- 2.4 The S106 funding is required, via legal agreements relating to specific developments, to be re-invested in new affordable housing in Rushden. If it is not re-invested we are required to repay the money to the relevant developer, within a certain timescale depending upon the terms of the specific S106 agreement.
- 2.5 An application for funding has been received from Spire Homes for funding towards a new development at Nippendale, Rushden. The details of this are set out below.

#### 3.0 Nippendale, Rushden

- 3.1 Spire Homes have recently been granted planning permission for a development at Nippendale, Rushden. This will comprise the demolition of existing flats, bedsits and garages; and replacement with forty one new affordable bungalows; and a mix of two, three and four bedroom houses. Some of these properties will be aimed at particular client groups such as older people and those with disabilities and the rest are a mix of rented and shared ownership general needs homes. Overall 85% of the development is comprised of affordable housing, with the remaining 15% for outright sale.

- 3.2 The full details of the development can be viewed via the Council's on-line planning portal, using the reference number EN/11/00853/FUL.
- 3.3 In addition to the provision of new homes, the development will also provide an education contribution of £67,477.
- 3.4 Spire Homes had hoped to obtain funding from the Homes and Communities Agency (HCA) to enable them to proceed with this development. However, in July of this year they were informed that unfortunately this would not be the case. This is due to the fact that their parent company, the Longhurst Group, had submitted this development as part of an overall bid package to the HCA which was in competition with hundreds of other bids for a relatively small amount of funding.
- 3.5 The grant requested for this development was £24,000 per rented property, which has resulted in a shortfall of £840,000.
- 3.6 Whilst other developments in the Longhurst Group 'pipeline' can be reconsidered in light of this funding decision, this particular site is quite advanced having secured planning permission.
- 3.7 In addition to this, the current flats and bedsits are in such a bad state of disrepair that not proceeding with the redevelopment is not a viable option.
- 3.8 Spire Homes have therefore been looking at alternative sources of funding and hence have submitted a request to us.
- 3.9 Without some form of income or public subsidy the development will not be able to proceed in its current form, which would mean the potential loss of this opportunity to regenerate the area.
- 3.10 Spire Homes have applied for £400,000 from the capital budget to help towards the current deficit. The remainder of the deficit is proposed to be covered by a slightly adjusted tenure split and additional borrowing.

#### **4.0 Funding Proposal**

- 4.1 Should approval be granted for this funding, this would be split over two financial years, 2011/12 and 2012/13, as follows:

Year	Amount	Source
2011/12	200,000	£104,045 S106 money £95,955 capital contribution
2012/13	200,000	£200,000 capital Contribution

- 4.2 As can be seen from the table above, this would require the council to 'front-fund' £295,955 from the 'Financial Support to Social Housing' capital budget whilst awaiting the additional S106 contribution detailed at 2.2 above.
- 4.3 The budget is currently profiled for expenditure of £333,840 in total for 2011/12 and 2012/13, and hence this would be exceeded.

#### **5.0 Equality and Diversity Implications**

- 5.1 There are no equality and diversity implications associated with this report.

## 6.0 Legal Implications

6.1 There are no legal implications associated with the recommendation below.

## 7.0 Risk Management

7.1 There are no risks associated with the recommendation below. The element of the budget made of S106 contributions requires spending on affordable housing projects; otherwise it will have to be returned to the relevant developers.

## 8.0 Financial Implications

8.1 There are sufficient finds available in the 'Financial Support to Social Housing' capital budget (JCF229).

8.2 Allocation of the funding would require the Council to 'front-fund' £295,955 over two financial years, 2011/12 and 2012/13, whilst awaiting the receipt of the further expected S106 contribution.

## 9.0 Corporate Outcomes

9.1 Allocation of the capital funding to this affordable housing project contributes to the following corporate outcomes:

- A Good Quality of Life – Healthy
- Good Value for Money
- Effective Partnership Working

## 10.0 Resource Requirements

10.1 There are no additional resource requirements associated with the recommendation below.

## 11.0 Recommendation

11.1 The Committee is recommended to

Approve the expenditure of £400,000 from the 'Financial Support to Social Housing' capital budget (JCF229), for the project set out at section 2 above.

*(Reason: to enable officers to respond to the application for funding and support the development of new affordable housing.)*

<b>Legal</b>	Power: Housing Act 2004				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Cat Hartley, Housing Strategy Manager <a href="mailto:acooper@east-northamptonshire.gov.uk">acooper@east-northamptonshire.gov.uk</a> 01832742078					
<b>Date: 10 October 2011</b>					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

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